

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUL 17 1995

In the Matter of)
)
UACC Midwest, Inc. d/b/a)
United Artists Cable Mississippi)
Gulf Coast; et al.)
)
v.)
)
South Central Bell Telephone)
Company)

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

CC Docket No. 95-94

PA 91-0005 through
PA 91-0009

DOCKET FILE COPY ORIGINAL

RESPONSE TO DATA REQUEST

First Item: Hearing Designation Order Paras 19, 21 and 22.
Response:

Introduction

The Company's response to the FCC's hearing designation order is provided below. First, the Company provides an overview of the relevant changes from the Part 31 Uniform System of Accounts (USOA) to the Part 32 USOA. This overview shows that certain costs which were included in the Part 31 pole rental rates will not be included in the Part 32 rates if the Complainants' methodology is accepted. Secondly, the Company provides an analysis of the specific accounts cited in the hearing order (Accounts 6124, 6535, and 6231) and discusses the costs in these accounts which should be included in the pole rental rates. Finally, the Company provides information which shows the Company may even be currently underbilling for pole rental rates, since there are several costs included in the Part 31 pole rental rates which are not included in the current pole rental rates.

Overview of Changes from Part 31 to Part 32

The change from Part 31 to Part 32 did not change the basic nature of most costs and assets, but for the most part was a change in the terminology and categorization of costs. The change to Part 32 was mandated by the FCC to improve and refine the financial reporting of telecommunications companies. The essence of the change was a shift from

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tracking assets and expenses on a departmental basis under Part 31 to a functional basis under Part 32.

Part 32 did result in a change in the classification of certain costs. In the Part 31 environment, certain costs were "cleared" from clearing accounts to final organizational expense accounts (e.g., pole expense, marketing expense, etc.). Whereas in Part 32, these same costs are booked to support expense accounts instead of being cleared to final organizational expense accounts.

Part 31 actually had a dozen clearing accounts which "cleared" expenses to final accounts (e.g., pole expense) based upon time reporting, studies, etc. These clearing accounts included expenses such as centralized computer expenses, centralized administrative services, house services expenses, motor vehicle expense etc. As discussed above, under Part 32, these expenses reside in support expense accounts. For example, computer expense is in Accounts 6124 and 6724, administrative expenses are in Account 6728, and house services are in Accounts 6121. Under Part 31, these expenses would have been cleared to final expense accounts such as pole expenses and appropriately recovered from any benefiting entity through the Company's billing processes. Under Part 32, these expenses reside in separate expense accounts and they must be uniquely billed to recover the costs from any benefiting entities.

Analysis of Accounts 6124, 6231, and 6535

The Company has made a good faith effort to determine the portion of Accounts 6124, 6231 and 6535 that would have been included in the pole attachment rates under Part 31. Company representatives have worked diligently researching these issues. However, these specific amounts (except for Account 6231) are not available. The Company has not maintained the underlying details associated with an accounting system (Part 31) which was replaced over 6 1/2 years ago. Nevertheless, the Company can reasonably conclude as follows:

Account 6124

It is appropriate to include Account 6124 expense in the rates for pole rentals. In the Part 32 environment, centralized computer expenses are in Account 6124, and centralized information management expenses (e.g., computer programming expense) are in Account 6724.

Under Part 31, all centralized computer expenses were booked to Account 749 for clearance to final account. Only uncleared balances remained in Account 675. Each month these centralized computer expenses were cleared to final expense accounts (e.g., pole expenses, central office expenses, marketing expense etc.) based on monthly usage data. Any over or under clearance was transferred each month to Account 675, which was cleared to final expenses at year end. Therefore in a Part 31 environment, centralized computer expenses which benefited poles were cleared from Accounts 749 and 675 and booked to pole expense. However, under Part 32 centralized computer expenses reside in the final accounts of 6124 and 6724. These centralized computer expenses will not be captured for recovery if they are not uniquely identified and included in the billing process.

Account 6535

Account 6535 expenses are appropriate for inclusion in the pole rental rates. Account 6535 is general engineering expense which cannot be directly assigned to specific projects. In a Part 31 environment, most of these expenses were in the clearing Account 705 - Engineering expense. Each month these expenses cleared to final accounts primarily based upon engineering time reporting. Therefore, the appropriate engineering expense was cleared from Account 705 to pole expense in Account 602. However, in a Part 32 environment, general engineering expenses can only be associated with pole rentals by including Account 6535 expenses in the pole rental rates.

Furthermore, some of the costs that were in Account 705 are not even included at all in the current pole rental rates. For example, rents and repairs of rented quarters that were in Accounts 705-14, -27, and -29 are now booked to Account 6121, which is not even currently included in the pole rental rates.

Account 6231

For the period of 1991-1994, the Company did not have any earth station facilities expenses in Account 6231. Therefore, the Company will exclude these expenses from the pole rental rates. The amounts for the years of 1990 - 1994 for Mississippi are as follows:

1990	\$617,811
1991	\$593,063
1992	\$430,488
1993	\$187,978
1994	\$148,764

Additional Information

The previous pole rental methodology under Part 31 included several major expenses which are not included in the current pole rental methodology. For example under Part 31, all operating rents in Account 671 were included in the pole rental rates. However under Part 32, operating rents are in the various plant specific accounts (Accounts 61XX - 64XX) and land and building rentals are in Account 6121. Most of these plant specific accounts and Account 6121 are not included in the current pole rental rates. The rental expenses in Account 6121 alone which were not included in the pole rental rates for Mississippi are listed below (Source Form M):

1990	4,671,291
1991	4,668,899
1992	5,415,615
1993	5,441,068
1994	6,648,298

Also the previous rental methodology under Part 31 included the entire Company amount for Relief and Pensions (i.e. benefits) from Account 672. In the Part 32 environment, benefits are cleared to final expense accounts. Therefore, the current pole rental rates only include the relief and pension amounts which are cleared to the accounts which are specifically included in the pole rental rates (i.e., Accounts 6124, 6231, 6411, 6535, 6710, and 6720). The difference between total benefits which would have been included in the Part 31 rates and the smaller benefit expense that is included in the current rates for Mississippi is listed below: (Source Form M)

1990	32,403,980
1991	32,482,041
1992	35,357,106
1993	39,442,064
1994	41,173,894

In addition, the Part 32 pole rental rates do not include any plant operations administration expense (Account 6534). These general plant administration costs were included in the Part 31 rental rates. In the Part 31 environment, these costs were booked to a clearing Account (Account 710) and cleared to final expense accounts (including pole rental expense in Account 602) based upon the time reporting of the plant forces. In the current pole rental rate methodology, there is no inclusion of any amounts for general plant administration.

SUMMARY

The Company has provided information which shows that it is appropriate to include the costs in Accounts 6124 and 6535 in the current pole rental rates. The Company has also provided information which shows that there are additional costs which were included in the Part 31 rates and are not currently included in the Part 32 rental rates. Therefore, the Company's pole rental rates for the years of 1991-1994 are reasonable, and the Complainants' arguments should be dismissed.

Second Item: Hearing Designation Order paras. 21 and 28

(1) 47 C.F.R. §1.404(g)(1)

Response:

Rate Year

1991 - Exhibit A, 1 of 4, Line 2, \$72,194,010 (1990 Data)
1992 - Exhibit A, 1 of 4, Line 2, \$72,194,010 (1990 Data)
1993 - Exhibit A, 2 of 4, Line 2, \$74,165,827 (1991 Data)
1994 - Exhibit A, 3 of 4, Line 2, \$76,971,089 (1992 Data)
1995 - Exhibit A, 4 of 4, Line 2, \$81,266,374 (1993 Data)

(2) 47 C.F.R. §1.404(g)(2)

Response: BellSouth uses 95% of net investment, pursuant to 4FCC Rcd 468, 469 ¶9 (1989).

(3) 47 C.F.R. §1.404(g)(3)

Response:

Rate Year

1991 - Exhibit A, 1 of 4, Line 5, \$23,599,952 (1990 Data)
1992 - Exhibit A, 1 of 4, Line 5, \$23,599,952 (1990 Data)
1993 - Exhibit A, 2 of 4, Line 5, \$26,413,003 (1991 Data)
1994 - Exhibit A, 3 of 4, Line 5, \$29,592,092 (1992 Data)
1995 - Exhibit A, 4 of 4, Line 5, \$32,924,580 (1993 Data)

(4) 47 C.F.R. §1.404(g)(1)

Response: BellSouth uses 95% of net investment, pursuant to 4FCC Rcd 468, 469 ¶9 (1989).

(5) 47 C.F.R. §1.404(g)(5)

Response:

Rate Year

1991 - Exhibit A, 1 of 4, Line 19, \$262,687 (1990 Data)
1992 - Exhibit A, 1 of 4, Line 19, \$262,687 (1990 Data)
1993 - Exhibit A, 2 of 4, Line 19, \$270,185 (1991 Data)
1994 - Exhibit A, 3 of 4, Line 19, \$271,293 (1992 Data)
1995 - Exhibit A, 4 of 4, Line 19, \$271,295 (1993 Data)

(6) 47 C.F.R. §1.404(g)(6)

Response: The total number of poles subject of the complaint are detailed below by either semiannual (S.A.) and/or annual (A.) billing periods for the years 1991 thru the first half of 1995.

1991	S.A.	69047
	S.A.	68021
1992	S.A.	69478
	S.A.	69536
1993	A.	72024
1994	S.A.	75932
	S.A.	74748
1995	S.A.	71194

(7) 47 C.F.R. §1.404(g)(7)

Response: BellSouth does not control any poles of other owner(s) or pay any amount(s) to other owner(s) for which Complainants would have paid pole rental. Any amount(s) paid by Complainants would have been paid directly to the pole owner.

(8) 47 C.F.R. §1.404(g)(8)

Response: The actual number of the specific poles which are the subject of the complaint and that are owned by South Central Bell and leased to other users is not an available number. During the period covered by the complainant, South Central Bell leased the following numbers of poles it owned to users other than complainants, ("joint-use poles"). The poles detailed below are calculated:

Poles leased to other users:

1991	S.A.	24857
	S.A.	24488
1992	S.A.	26402
	S.A.	26424
1993	A.	27369

1994	S.A.	28097
	S.A.	27657
1995	S.A.	26342

In order to derive a response to the information requested in 47 C.F.R. §1.404 (g)(8), the number of poles leased to other users which are the subject of the complaint are calculated on the assumption that the ratio of joint-use poles to total poles owned will approximate the number of poles attached to by both the joint user and the Complainants. The ratios of BellSouth's joint-use poles to poles for the period covered by the Complaint are as follows:

Annual percentages:

1991	1992	1993	1994	1995
36	38	38	37	37

(The actual 1995 percentage is not yet available, therefore, 1994 number is carried forward to 1995)

BellSouth has not ascertained any rental payments from users other than cable television operators in Mississippi during the period covered by the complaint; there are no rentals booked.

(9) 47 C.F.R. §1.404(g)(9)

Response:

Rate Year

1991	-	Exhibit A, 1 of 4, Line 31, 54.20% (1990 Data)
1992	-	Exhibit A, 1 of 4, Line 31, 54.20% (1990 Data)
1993	-	Exhibit A, 2 of 4, Line 31, 43.16% (1991 Data)
1994	-	Exhibit A, 3 of 4, Line 31, 42.25% (1992 Data)
1995	-	Exhibit A, 4 of 4, Line 31, 43.52% (1993 Data)

(10) 47 C.F.R. §1.404(g)(10)

Response:

Rate Year

1991	-	Exhibit A, 1 of 4, Line 25, 11.24% (1990 Data)
1992	-	Exhibit A, 1 of 4, Line 25, 11.24% (1990 Data)
1993	-	Exhibit A, 2 of 4, Line 25, 11.24% (1991 Data)
1994	-	Exhibit A, 3 of 4, Line 25, 11.24% (1992 Data)
1995	-	Exhibit A, 4 of 4, Line 25, 11.24% (1993 Data)

Also see Exhibit B (89-UN-5453) page 6 line 6 and the last page (INTRASTATE RATE BASE CALCULATION).

(11) 47 C.F.R. §1.404 (g)(11)

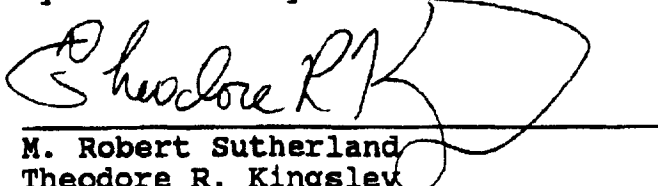
Response: South Central Bell used the Commission's prescribed rebuttable figure 13.5 feet (see Exhibit A-1 through A-4, line 23). South Central Bell reserves the right to introduce evidence at the Hearing designated in this matter as to the actual measurement in order to demonstrate that the rates it calculated were well within the statutory maximum.

(12) 47 C.F.R. §1.404 (g)(12)

Response: South Central Bell interprets this item to reference make-ready charges, pole change-outs, etc. for which the Complainants would be responsible under their license agreement for costs associated with work performed by BellSouth. These charges are neither maintained nor available for the period covered by the complaint.

Respectfully Submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.
By Its Attorneys



M. Robert Sutherland
Theodore R. Kingsley
Its Attorneys

4300 Southern Bell Center
675 W. Peachtree Street, N.E.
Atlanta, GA 30375
(404) 529-3957

Date: July 17, 1995

AFFIDAVIT

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State of Georgia and County of Fulton, aforesaid, personally came and appeared Frances E. Dennis, who, being by me first duly sworn says as follows:

I am Director of Corporate Accounting for BellSouth Telecommunications, Inc. ("BellSouth").

I am directly responsible for providing the information ordered in paragraphs 19 and 21 of the Federal Communications Commission, CC Docket No. 95-94, Hearing Designation Order DA 95-1363, which is set forth in response to Item 1 of respondent's "Response To Date Request" I have actual knowledge of the facts set forth therein.

Frances E. Dennis
Frances E. Dennis
Director - Corporate Accounting

Cathy S. Forbes 07/14/95
Notary Public Date
Notary Public, Fulton County, Georgia
My Commission Expires February 23, 1998

STATE OF ALABAMA

COUNTY OF JEFFERSON

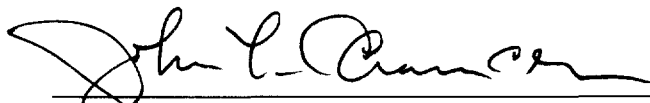
AFFIDAVIT
OF
JOHN T. CHAUCER

BEFORE ME, the undersigned authority, duly commissioned and qualified for the State of Alabama at large and County aforesaid, personally came and appeared John T. Chaucer, who, being by me first duly sworn says as follows:

I make this affidavit for BellSouth Telecommunications, Inc. ("BellSouth") since I am the responsible manager for CATV rate administration for the BellSouth Headquarters Staff, thereby responsible for the State of Mississippi.

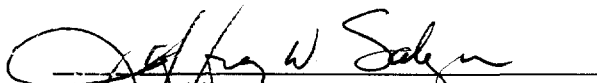
I have actual knowledge of the facts set forth therein.

I am directly responsible for providing the information ordered in paragraph 21 of the Federal Communications Commission, CC Docket 95-94, Hearing Designation Order DA 95-1363, specifically items numbered 6, 7, 8 and 12 of 47 C.F.R. 1.1404(g).



John T. Chaucer
Staff Manger - Regional Contract Coordination

Sworn to and subscribed before me, JEFFREY W. SALVER, a Notary Public, on this the 14th day of July, 1995.


Notary Public
MY COMMISSION EXPIRES 12/31/96

STATE OF ALABAMA
COUNTY OF JEFFERSON

AFFIDAVIT
OF
WILLIAM J. P. TYLER

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State of Alabama at large and County aforesaid, personally came and appeared William J. P. Tyler, who, being by me first duly sworn says as follows:

I make this affidavit for BellSouth Telecommunications, Inc. ("BellSouth") since I am the responsible manager for CATV rate development for the State of Mississippi.

I am directly responsible for providing the information ordered in paragraph 21 of the Federal Communications Commission, CC Docket 95-94, Hearing Designation Order DA 95-1363, specifically items numbered 1, 2, 3, 4, 5, 9, 10 and 11 of 47 C.F.R 1.1404(g). I have actual knowledge of the facts set forth therein and I prepared the Exhibits accompanying Respondents Response to Data Requests.

I further offer that the \$6.55 rate (Exhibit A, 1 of 4) developed for use in 1991 excluded accounts 6124 and 6231 and included account 6535 and "Rents and Benefits" of account 6411 in the maintenance component of the annual carrying charge. BellSouth did not develop CATV rates for the year 1992.

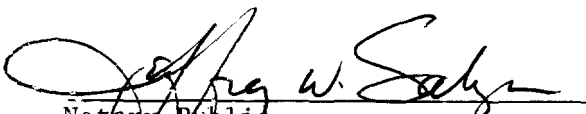
CATV rates developed for 1993, 1994 and 1995 (Exhibit A, 2, 3, and 4 of 4) included accounts 6124, 6231 and 6535 and moved "Rents and Benefits" of account 6411 from the maintenance component of the annual carrying charge to the administrative component.



William J. P. Tyler

Manager-Economic Analysis

Sworn to and subscribed before me, JEFFREY W. SALYER
a Notary Public on this the 14th day of JULY, 1995.



Notary Public

NOTARY PUBLIC - EXPIRES, NOVEMBER 28, 1997

**CATV RENTAL RATES
FOR POLE ATTACHMENTS**

Exhibit A
Page 1 of 4

**MISSISSIPPI
SOUTH CENTRAL BELL**

YE 1990

Ln.	ACCOUNT	ACCOUNT TITLE	Form M SCHEDULE	COMPANY SOURCE	MISSISSIPPI
1	2001	Telephone Plant In Service	Pg. 6A	2 A	\$2,321,480,486
2	2411	Pole Line Investment	Pg. 6B	2 A	\$72,194,010
3	2411	Depreciation Rate for Poles	Sch B-7	Form M	0.0660
4	3100	Accumulated Depreciation	Pg. 6D	SCB Journals	\$903,001,393
5	3100.41	Accumulated Depreciation - Poles	NA	MA 16	\$23,599,952
6	4100	Net Current Def. Oper. Inc. Taxes	Pg. 6D	SCB Journals	\$0
7	4340	Net NonCurrent Def. Oper. Inc. Taxes - Poles	Not Available	BS Tax Office	\$3,510,862
8	4340	Net NonCurrent Def. Oper. Inc. Taxes	Pg. 6E	SCB Journals	\$230,485,063
9	6124	General Purpose Computers	Pg. 21B	MR 5	\$0
10	6231	Radio Systems	Pg. 21B	MR 5	\$0
11	6411	Pole Expense - Salaries	Pg. 21B (ac)	Expense Ledger	\$291,929
12	6411	Pole Expense - Benefits	Pg. 21B (ad)	Expense Ledger	\$67,902
13	6411	Pole Expense - Rents	Pg. 21B (ae)	Expense Ledger	\$6,532,065
14	6411	Pole Expense - Other Expenses	Pg. 21B (af)	Expense Ledger	\$709,591
15	6535	Engineering Expense	Pg. 21D	MR 5	\$13,515,371
16	6710	Executive and Planning	Pg. 21E	MR 5	\$1,769,416
17	6720	General and Administrative	Pg. 21E	MR 5	\$69,123,724
18	7200	Operating Taxes	Pg. 21G	SCB Journals	\$91,183,247
19	OPS	Number of Poles	Pg. 29B	7 A	262,687

State totals are included in the Company totals of the FCC Form M. ((May Vary Due to Rounding))

MISCELLANEOUS DATA

Ln.	MISCELLANEOUS DATA	FORMULA	SOURCE	AMOUNT
20	Net Plant in Service	Ln.1-Ln.4-Ln.6-Ln.8	FCC METHOD	\$1,187,994,030
21	Net Pole Investment	Ln.2-Ln.5-Ln.7	FCC METHOD	\$45,083,196
22	Bare Pole Factor		FCC METHOD	0.95
23	CATV Space Occupied	1 / 13.5	FCC METHOD	0.0741
24	Unit Net Bare Pole Invest.	(Ln.21*Ln.22)/Ln.19	FCC METHOD	163.0421
25	Cost of Capital		BSS TREASURY	0.1199

RENTAL RATE CALCULATIONS

Ln.	COST COMPONENT	FORMULA	COST
26	Maintenance	(Ln.11 + Ln.12 + Ln.13 + Ln.14) / Ln.21	0.1686
27	Taxes (Normalized)	Ln.18 / Ln.20	0.0768
28	Depreciation	Ln.3 x (Ln.2 / Ln.21)	0.1057
29	Administration	(Ln.9 + Ln.10 + Ln.15 + Ln.16 + Ln.17) / Ln.20	0.0711
30	Cost of Capital	Ln.25	0.1199
31	Total Annual Charge	Sum (Ln.26 thru Ln.30)	0.5420
32	Rental Rate	Ln24 x Ln.23 x Ln.31	\$6.55

1993
CATV RENTAL RATES
FOR POLE ATTACHMENTS

Exhibit A
Page 2 of 4

Mississippi
SOUTH CENTRAL BELL

YE 1991

Ln.	ACCOUNT	ACCOUNT TITLE	Form M SCHEDULE	COMPANY SOURCE	MISSISSIPPI
1	2001	Telephone Plant In Service	Pg. 7D (af)	2 A	\$2,405,186,153
2	2411	Pole Line Investment	Pg. 7D (af)	2 A	\$74,165,827
3	2411	Depreciation Rate for Poles	Pg. 19 (f)	Form M	0.0660
4	3100	Accumulated Depreciation	Pg. 7E (bb)	Form M	\$981,939,892
5	3100.41	Accumulated Depreciation - Poles	Pg. 16 (g)	MA 16	\$26,413,003
6	4100	Net Current Def. Oper. Inc. Taxes	Pg. 7E (bb)	SCB Journals	(\$866,493)
7	4340	Net NonCurrent Def. Oper. Inc. Taxes - Poles	Not Available	BS Tax Office	\$5,202,880
8	4340	Net NonCurrent Def. Oper. Inc. Taxes	Pg. 7F (bb)	SCB Journals	\$220,658,378
9	6124	General Purpose Computers	Pg. 33B (ab)	MR 5	\$20,284,809
10	6231	Radio Systems	Pg. 33B (ab)	MR 5	\$593,063
11	6411	Pole Expense - Salaries	Pg. 33D (ac)	Expense Ledger	\$301,854
12	6411	Pole Expense - Benefits	Pg. 33D (ad)	Expense Ledger	\$73,458
13	6411	Pole Expense - Rents	Pg. 33E (ae)	Expense Ledger	\$6,484,258
14	6411	Pole Expense - Other Expenses	Pg. 33E (af)	Expense Ledger	\$685,668
15	6535	Engineering Expense	Pg. 33D (ab)	MR 5	\$13,903,177
16	6710	Executive and Planning	Pg. 33F (ab)	MR 5	\$1,699,108
17	6720	General and Administrative	Pg. 33F (ab)	MR 5	\$71,494,764
18	7200	Operating Taxes	Pg. 33H (bb)	SCB Journals	\$103,278,807
19	OPS	Number of Poles	Pg. 48 (v)	7 A	270,185

State totals are included in the Company totals of the FCC Form M. ((May Vary Due to Rounding))

MISCELLANEOUS DATA

Ln.	MISCELLANEOUS DATA	FORMULA	SOURCE	AMOUNT
20	Net Plant in Service	Ln.1-Ln.4-Ln.6-Ln.8	FCC METHOD	1203454376
21	Net Pole Investment	Ln.2-Ln.5-Ln.7	FCC METHOD	42549944
22	Bare Pole Factor		FCC METHOD	0.95
23	CATV Space Occupied	1 / 13.5	FCC METHOD	0.0741
24	Unit Net Bare Pole Invest.	(Ln.21*Ln.22)/Ln.19	FCC METHOD	149.6103
25	Cost of Capital		BSS TREASURY	0.1124

RENTAL RATE CALCULATIONS

Ln.	COST COMPONENT	FORMULA	COST
26	Maintenance	(Ln.11 + Ln.12 + Ln.14) / Ln.21	0.0232
27	Taxes (Normalized)	Ln.18 / Ln.20	0.0858
28	Depreciation	Ln.3 x (Ln.2 / Ln.21)	0.1150
29	Administration	(Ln.9 + Ln.10 + Ln.13 + Ln.15 + Ln.16 + Ln.17) / Ln.20	0.0951
30	Cost of Capital	Ln.25	0.1124
31	Total Annual Charge	Sum (Ln.26 thru Ln.30)	0.4316
32	Rental Rate	Ln24 x Ln.23 x Ln.31	\$4.78

1994
CATV RENTAL RATES
FOR POLE ATTACHMENTS

Exhibit A
Page 3 of 4

MISSISSIPPI
SOUTH CENTRAL BELL

YE 1992

Ln.	ACCOUNT	ACCOUNT TITLE	Form M SCHEDULE	COMPANY SOURCE	MISSISSIPPI
1	2001	Telephone Plant In Service	Pg. 6A	2 A	\$2,428,367,059
2	2411	Pole Line Investment	Pg. 6B	2 A	\$76,971,089
3	2411	Depreciation Rate for Poles	Sch B-7	Form M	0.0560
4	3100	Accumulated Depreciation	Pg. 6D	SCB Journals	\$983,303,477
5	3100.41	Accumulated Depreciation - Poles	NA	MA 16	\$29,592,092
6	4100	Net Current Def. Oper. Inc. Taxes	Pg. 6D	SCB Journals	\$21,530
7	4340	Net NonCurrent Def. Oper. Inc. Taxes - Poles	Not Available	BS Tax Office	\$5,181,067
8	4340	Net NonCurrent Def. Oper. Inc. Taxes	Pg. 6E	SCB Journals	\$218,265,668
9	6124	General Purpose Computers	Pg. 21B	MR 5	\$18,254,854
10	6231	Radio Systems	Pg. 21B	MR 5	\$430,488
11	6411	Pole Expense - Salaries	Pg. 21B (ac)	Expense Ledger	\$284,670
12	6411	Pole Expense - Benefits	Pg. 21B (ad)	Expense Ledger	\$74,513
13	6411	Pole Expense - Rents	Pg. 21B (ae)	Expense Ledger	\$7,191,393
14	6411	Pole Expense - Other Expenses	Pg. 21B (af)	Expense Ledger	\$774,733
15	6535	Engineering Expense	Pg. 21D	MR 5	\$13,786,815
16	6710	Executive and Planning	Pg. 21E	MR 5	\$3,052,356
17	6720	General and Administrative	Pg. 21E	MR 5	\$63,038,803
18	7200	Operating Taxes	Pg. 21G	SCB Journals	\$118,466,115
19	OPS	Number of Poles	Pg. 29B	7 A	271,293

State totals are included in the Company totals of the FCC Form M. ((May Vary Due to Rounding))

MISCELLANEOUS DATA

Ln.	MISCELLANEOUS DATA	FORMULA	SOURCE	AMOUNT
20	Net Plant in Service	Ln.1-Ln.4-Ln.6-Ln.8	FCC METHOD	\$1,226,776,384
21	Net Pole Investment	Ln.2-Ln.5-Ln.7	FCC METHOD	\$42,197,930
22	Bare Pole Factor		FCC METHOD	0.95
23	CATV Space Occupied	1 / 13.5	FCC METHOD	0.0741
24	Unit Net Bare Pole Invest.	(Ln.21*Ln.22)/Ln.19	FCC METHOD	147.7666
25	Cost of Capital		BSS TREASURY	0.1124

RENTAL RATE CALCULATIONS

Ln.	COST COMPONENT	FORMULA	COST
26	Maintenance	(Ln.11 + Ln.14) / Ln.21	0.0251
27	Taxes (Normalized)	Ln.18 / Ln.20	0.0966
28	Depreciation	Ln.3 x (Ln.2 / Ln.21)	0.1021
29	Administration	(Ln.9 + Ln.10 + Ln.12 + Ln.13 + Ln.15 + Ln.16 + Ln.17) / Ln.20	0.0863
30	Cost of Capital	Ln.25	0.1124
31	Total Annual Charge	Sum (Ln.26 thru Ln.30)	0.4225
32	Rental Rate	Ln24 x Ln.23 x Ln.31	\$4.62

**1995
CATV RENTAL RATES
FOR POLE ATTACHMENTS**

**Exhibit A
Page 4 of 4**

**Mississippi
SOUTH CENTRAL BELL**

YE 1993

Ln.	ACCOUNT	ACCOUNT TITLE	Form M SCHEDULE	COMPANY SOURCE	MISSISSIPPI
1	2001	Telephone Plant In Service	Pg. 27	2 A	\$2,579,998,721
2	2411	Pole Line Investment	Pg. 28	2 A	\$81,266,374
3	2411	Depreciation Rate for Poles	NA	Capital Rec.	0.0650
4	3100	Accumulated Depreciation	Pg.30	SCB Journals	\$1,099,979,021
5	3100.41	Accumulated Depreciation - Poles	NA	MA 16	\$32,924,580
6	4100	Net Current Def. Oper. Inc. Taxes	Pg. 30	SCB Journals	(\$182,472)
7	4340	Net NonCurrent Def. Oper. Inc. Taxes - Poles	Not Available	BS Tax Office	\$5,134,159
8	4340	Net NonCurrent Def. Oper. Inc. Taxes	PG. 31	SCB Journals	\$209,011,436
9	6124	General Purpose Computers	Pg. 75	MR 5	\$17,026,111
10	6231	Radio Systems	Pg. 75	MR 5	\$187,978
11	6411	Pole Expense - Salaries	Pg. 76	Expense Ledger	\$290,645
12	6411	Pole Expense - Benefits	Pg. 76	Expense Ledger	\$87,982
13	6411	Pole Expense - Rents	Pg. 76	Expense Ledger	\$7,687,896
14	6411	Pole Expense - Other Expenses	Pg. 76	Expense Ledger	\$955,739
15	6535	Engineering Expense	Pg. 77	MR 5	\$14,306,015
16	6710	Executive and Planning	Pg. 78	MR 5	\$3,072,311
17	6720	General and Administrative	Pg. 78	MR 5	\$65,888,407
18	7200	Operating Taxes	Pg. 80	SCB Journals	\$109,983,151
19	OPS	Number of Poles	Pg. 130	7 A	271,295

State totals are included in the Company totals of the FCC Form M. ((May Vary Due to Rounding))

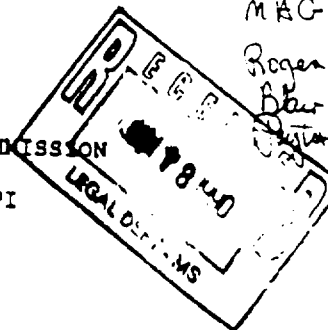
MISCELLANEOUS DATA

Ln.	MISCELLANEOUS DATA	FORMULA	SOURCE	AMOUNT
20	Net Plant in Service	Ln.1-Ln.4-Ln.6-Ln.8	FCC METHOD	\$1,271,190,736
21	Net Pole Investment	Ln.2-Ln.5-Ln.7	FCC METHOD	\$43,207,635
22	Bare Pole Factor		FCC METHOD	0.95
23	CATV Space Occupied	1 / 13.5	FCC METHOD	0.0741
24	Unit Net Bare Pole Invest.	(Ln.21*Ln.22)/Ln.19	FCC METHOD	151.3012
25	Cost of Capital		BSS TREASURY	0.1124

RENTAL RATE CALCULATIONS

Ln.	COST COMPONENT	FORMULA	COST
26	Maintenance	(Ln.11 + Ln.14) / Ln.21	0.0288
27	Taxes (Normalized)	Ln.18 / Ln.20	0.0865
28	Depreciation	Ln.3 x (Ln.2 / Ln.21)	0.1223
29	Administration	(Ln.9 + Ln.10 + Ln.12 + Ln.13 + Ln.15 + Ln.16 + Ln.17) / Ln.20	0.0852
30	Cost of Capital	Ln.25	0.1124
31	Total Annual Charge	Sum (Ln.26 thru Ln.30)	0.4352
32	Rental Rate	Ln24 x Ln.23 x Ln.31	\$4.88

BEFORE THE PUBLIC SERVICE COMMISSION
OF
THE STATE OF MISSISSIPPI



89-UN-5453
NF89-149

SOUTH CENTRAL BELL
TELEPHONE COMPANY

IN RE: NOTICE AND APPLICATION OF
SOUTH CENTRAL BELL
TELEPHONE COMPANY FOR
ADOPTION AND IMPLEMENT-
ATION OF A RATE STABILI-
ZATION PLAN FOR ITS
MISSISSIPPI OPERATIONS.

ORDER

This cause is before the Mississippi Public Service Commission ("Commission") for final determination of all issues presented in this case, and the Commission, having determined that it has full jurisdiction of the parties and of the subject matter of this proceeding, and having considered the oral and documentary testimony and other evidence presented, now makes the following findings and order herein:

I. PROCEDURAL BACKGROUND

On November 15, 1989, South Central Bell Telephone Company ("SCB" or "Company") filed with this Commission its Notice and Application For Adoption And Implementation Of A Rate Stabilization Plan ("Mississippi Rate Stabilization Plan") or ("Plan") for its Mississippi operations. Thereafter, notice was given as required by law to all potentially interested parties and to the public. The Attorney General of the State of Mississippi ("Attorney General"), the United States Department of Defense ("DOD"), various independent telephone companies ("Independents"), the Mississippi Association of Resellers ("Resellers"), AT&T Communications of the South Central States, Inc. ("AT&T"), MCI Telecommunications Corporation ("MCI") and Mississippi Legal

Services Coalition and Southeast Mississippi Legal Services (collectively "Legal Services") all intervened in this proceeding.

On December 11, 1989, the Commission suspended the Company's proposed rates, charges and Plan for a period not to exceed 120 days and directed the Public Utilities Staff ("Staff") to make a full investigation to determine the reasonableness and lawfulness of the proposed rates, charges, and Plan.

Subsequently, on January 31, 1990, the Commission entered its Second Amended Scheduling Order in which, among other things, the Commission established a schedule for the filing of testimony and exhibits by all parties and intervenors; for the filing of data requests and responses thereto by certain specified dates; for a prehearing conference to be conducted on April 24, 1990; for the filing of final testimony and exhibits subsequent to the prehearing conference; and for the public hearings to commence May 14, 1990.

The prehearing conference was conducted as scheduled, with extensive discussions and negotiations among the Staff, the parties, and the Intervenors. On April 26, 1990, as a consequence of the prehearing conference, the Staff, the Attorney General, Legal Services, and the Company entered into certain Stipulations which were thereafter accepted and adopted by the Commission by its Order of May 7, 1990.

On April 27, 1990, AT&T and the Company entered into certain Stipulations. On May 14, 1990, the Attorney General, the Company and Legal Services entered into certain additional Stipulations. Both of these Stipulations were filed with the Commission and made part of the record.

Prior to the commencement of public hearings in this cause, the Independents who had intervened withdrew their interventions and all testimony and pleadings associated therewith and were dismissed from this case.

Upon the commencement of public hearings in this cause,

the Resellers' Motion in Limine to strike AT&T's testimony regarding restructuring of the intraLATA market was heard. The Commission granted said motion and stated that the subject of intraLATA competition should not be addressed in this docket but should be addressed in another docket in the future.

Public hearings in this matter were commenced on May 14, 1990, and concluded on May 15, 1990. All interested persons and parties were afforded a full opportunity to present statements and evidence. Extensive evidence was introduced, and all parties were afforded a reasonable opportunity to cross-examine witnesses of all other parties.

II. FINDINGS

Subsequent to the conclusion of the public hearings, the Commission has duly considered all of the prefiled direct, supplemental and rebuttal testimony and other evidence, and does now make and enter the following findings:

A.

Recognizing the vast changes that had occurred and were occurring in the telecommunications industry, in our Order of August 10, 1988, we established Docket U-5214 to address the implication of these changes on the provision of telecommunication services in Mississippi. Among other things, we directed the Company to file with us an overall plan for the development of new technologies in this State, and to file a proposed state-wide plan and tariffs to offer on an optional basis a method of service that would (1) permit ratepayers to have some control over their local charges; (2) help low income persons to have access to the Company's network; and (3) address extended area calling concerns. In response to the Commission's Order of August 10, 1988, the Company developed and provided to the Commission detailed information on the Company's plans for the deployment of technology, especially in the rural areas of this State. In

addition, the Company developed a state-wide plan to provide Mississippi ratepayers a local service option that would allow them to control their local telephone charges and that would address extended area calling concerns. This plan, called the Area Calling Plan ("ACP"), is available in much of the State and will be available to all South Central Bell Mississippi customers by the end of 1990. Because some customers may want to keep their service exactly the way it is, this new usage based local service offering is provided as an optional plan. Moreover, in Docket U-5214, we directed the formation of a Task force to study and make recommendations to us concerning regulatory approaches capable of responding to the changes and complexities in the current telecommunications environment. The Task Force appointed by the Commission studied and considered the matters assigned to it, and on October 29, 1988, submitted a detailed report to the Commission recommending the establishment and implementation of a Rate Stabilization Plan. After reviewing the report and filings of the Task Force, the Commission decided to defer the matter of new regulatory approaches for future consideration.

B.

In addition, the Mississippi Legislature enacted Section 77-3-2(h), Mississippi Code of 1972, which became effective February 24, 1989, authorizing this Commission to consider and adopt formula rate-making plans. In granting that authority to us, the Legislature declared the public policy of this State to be "to encourage the continued study and research for new and innovative rate-making procedures which will protect the State, the public, the ratepayers, and the utilities, and where possible, reduce the costs of the ratemaking process."

On November 15, 1989, the Company initiated this proceeding, seeking approval of its proposed Mississippi Rate Stabilization Plan. Our review of that Plan clearly shows that the Plan meets all of the requirements of the aforesaid Section 77-3-2(h) including those requirements concerning

periodic revenue adjustments and hearings related thereto. The Commission takes this opportunity to expressly confirm that the plan does not propose, nor will it be allowed, to abrogate the statutory requirements for hearings.

C.

In the context of the developments described above, and in light of the extensive evidence presented in the course of this proceeding, we are convinced that the adoption of a Rate Stabilization Plan is in the best interests of the Company's ratepayers, of the general public, and of the Company itself. Accordingly, we order the implementation of a Rate Stabilization Plan for the Company's operations in Mississippi, as set forth herein; however, as set forth below, in doing so we reject certain aspects of the Company's proposed Plan, make changes to certain other aspects of the Company's proposed Plan, and order instead the adoption and implementation of the Plan as modified herein.

D.

As noted above, during the course of these proceedings, the Company and certain parties and intervenors entered into certain Stipulations. Not all parties or intervenors entered into all of the Stipulations, however; and the Commission formally accepted and adopted as its own only those Stipulations entered into on April 26, 1990, between the Company, the Staff, the Attorney General, and Legal Services. In any event, all parties and intervenors were afforded a full opportunity to object to said Stipulations and to present testimony and other evidence respecting those Stipulations. Notwithstanding this opportunity, no party or intervenor objected to the Stipulations or presented any evidence at the public hearings contrary to or inconsistent with the Stipulations dated April 26, 1990, which were accepted and adopted by this Commission.

Having considered all of the evidence presented by all of the parties and intervenors, the Commission does now

further find as follows:

1. The Company's 1990 forecasted actual capital structure of 61.55% equity and 38.45% debt is the appropriate capital structure for the Company.

2. The total embedded cost of the Company's long-term and short-term debt is 8.67%.

3. For purposes of implementing the Mississippi Rate Stabilization Plan, the rate base for 1990 is \$876,075,000.

4. The ongoing average investment base of the Company shall be calculated in accordance with Exhibit A attached to the April 26, 1990 Stipulation filed in this cause.

5. For purposes of implementing the Mississippi Rate Stabilization Plan, the Company's income for 1990 is \$110,828,000.

6. The rate of return range for use in the Mississippi Rate Stabilization Plan is set at 10.74% to 11.74% return on average investment base (Rate Base as defined in Exhibit A of the April 26, 1990 Stipulation filed in this cause).

7. South Central Bell shall reduce rates effective on the date of the implementation of the Mississippi Rate Stabilization Plan by an annual amount of \$22,800,000. Such reductions shall be applied to various rates in accord with ordering paragraph 3 below.

E.

Except as hereafter stated, the Commission accepts and adopts as its own the Stipulation entered into by and between the Company, the Attorney General and Legal Services dated May 14, 1990. The Commission adopts and incorporates into this Order by reference all of the paragraphs of said Stipulation except paragraph 5 therein which sets out how the \$22,800,000 rate reduction should be allocated. The Commission's allocation of said reductions is set forth in ordering paragraph 3 below.

Having considered all of the evidence presented by all of the parties and intervenors, the Commission does now

further find as follows:

1.

The Mississippi Rate Stabilization Plan ("MRSP") formula will exclude from rate base (investment base) the company's investment in Long-Term CWIP.

2.

MRSP formula will exclude from operating income the Company's accruals of Interest During Construction (IDC).

3.

Each and every filing of a new innovative tariff proposal by the Company must be accompanied by evidence that the new service will, at a minimum, cover its Long Run Incremental Cost (LRIC) and provide a contribution to the overhead of the firm.

4.

The Company shall revise the plan to provide for a maximum of one revenue neutral adjustment during the three-year plan. The adjustment shall be as follows:

- A. Decrease revenues \$3.0M from Schedule 4 (in priority order shown)
- B. Increase revenues \$3.0M as follows:

Directory Assistance

Eliminate exemptions from Hotels, Motels and Mobile Phones.

Late Payment

Initiate 1.0% charge for payments not received by the billing date following date bill rendered.

- C. Regroup Exchanges

5.

The following reports shall be furnished to the Commission:

- A. Monthly - combined and intrastate income statements and statements of investment;
- B. Monthly - MR-7 report (This report details the Company's access lines by customer class and type of central office in service in Mississippi. This

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report will be filed with the Commission on a proprietary basis inasmuch as it contains commercially sensitive information).

C. Quarterly - MPSC 1.

D. Budget and budget comparisons, on a proprietary basis, as required by the Commission.

6.

The duration of the Plan shall be three years. The PSC shall review the Plan after the fourth point of test (mid 1992), prior to the expiration of the Plan.

7.

The Company shall provide the public utilities staff with such information as the staff may require to investigate the performance of the Plan.

8.

The Company shall develop a cost study which, for a given 12-month period, assigns its Mississippi intrastate investment, revenues, expenses, taxes, and return to the services listed on Attachment A to the Stipulation or as may be mutually agreed upon by the parties. The initial version of the study will be completed to reflect actual results for the 12 months ended on December 31, 1991 and will be filed with the Commission and the Executive Director of the Public Utilities Staff under proprietary cover no later than June 30, 1992.

9.

In case of disputes between the Company and the staff regarding the operation of the Plan, such disputes will be resolved by the commission as set forth in the Task Force Report dated October 31, 1988.

F.

Historically, basic telephone exchange service provided by the Company has been priced below cost, and such service has been subsidized for many years by revenues generated from other services. The advent of competition in the

telecommunications industry tends to drive rates for various services toward the cost of providing such services. Therefore, it would be inappropriate for any of the proposed \$22,800,000 rate reduction to be applied so as to reduce rates for basic local exchange service, which is already priced below cost.

G.

During the hearings, testimony was presented regarding the unique problems relating to telephone services that are currently faced by DeSoto and Smith County residents. DeSoto County telephone users have a strong community of interest with both Memphis and Collierville, Tennessee. This community of interest includes strong economic ties between the Memphis area and the DeSoto County area. This Commission firmly believes that high toll rates operate as an economic barrier. Removing this economic barrier would effectively make the entire Memphis area a potential customer of DeSoto County, Mississippi. Additionally, it would allow DeSoto County residents increased access to their jobs and businesses in the Memphis area. South Central Bell's Mississippi operations, however, are bounded both by LATA boundaries and state boundaries. This Commission is concerned with the needs of the citizens of DeSoto county and yet recognizes that its jurisdiction over the Company does not allow a complete solution to this problem. To begin to address the problem, the Commission finds that South Central Bell should adjust its ACP rates to provide for reduced rates for calls to Memphis and Collierville, Tennessee. Further, this Commission shall enter into discussions with the Tennessee Public Service Commission, the Company and all other telephone companies providing service in that area, to seek to develop reciprocal calling arrangements from these Tennessee exchanges into Mississippi.

Representatives from Smith County presented arguments which supported the need to reevaluate arrangements for local